



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF MORROW
WARREN COUNTY
DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Village of Morrow
Warren County
150 East Pike Street
Morrow, Ohio 45152

To the Mayor and Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Morrow, Warren County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Morrow, Warren County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 18, 2020

Village of Morrow*Warren County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2019*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$50,958	\$8,074	\$59,032
Municipal Income Tax	433,737		433,737
Intergovernmental	20,183	92,727	112,910
Charges for Services	171,740	70,700	242,440
Fines, Licenses and Permits	130,027	6,001	136,028
Earnings on Investments	22,216		22,216
Miscellaneous	51,481		51,481
<i>Total Cash Receipts</i>	<u>880,342</u>	<u>177,502</u>	<u>1,057,844</u>
Cash Disbursements			
Current:			
Security of Persons and Property	248,175	2,420	250,595
Public Health Services	854		854
Leisure Time Activities	7,447		7,447
Community Environment	25,783		25,783
Basic Utility Services	163,757		163,757
Transportation		125,984	125,984
General Government	361,285	1,650	362,935
Debt Service:			
Principal Retirement	2,789		2,789
Interest and Fiscal Charges	3,140		3,140
<i>Total Cash Disbursements</i>	<u>813,230</u>	<u>130,054</u>	<u>943,284</u>
<i>Net Change in Fund Cash Balances</i>	<u>67,112</u>	<u>47,448</u>	<u>114,560</u>
<i>Fund Cash Balances, January 1</i>	<u>611,376</u>	<u>281,685</u>	<u>893,061</u>
Fund Cash Balances, December 31			
Restricted	0	329,133	329,133
Unassigned	678,488	0	678,488
<i>Fund Cash Balances, December 31</i>	<u><u>\$678,488</u></u>	<u><u>\$329,133</u></u>	<u><u>\$1,007,621</u></u>

See accompanying notes to the basic financial statements

Village of Morrow

Warren County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type		Totals
	Enterprise	Private Purpose Trust	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$707,523			\$707,523
Earnings on Investments		\$1,380		1,380
<i>Total Operating Cash Receipts</i>	<u>707,523</u>	<u>1,380</u>	<u>0</u>	<u>708,903</u>
Operating Cash Disbursements				
Personal Services	83,105			83,105
Employee Fringe Benefits	30,725			30,725
Contractual Services	85,206			85,206
Supplies and Materials	102,381			102,381
Other		702		702
<i>Total Operating Cash Disbursements</i>	<u>301,417</u>	<u>702</u>	<u>0</u>	<u>302,119</u>
<i>Operating Income</i>	<u>406,106</u>	<u>678</u>	<u>0</u>	<u>406,784</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental	1,519,338			1,519,338
Special Assessments	16,770			16,770
Other Non-Operating Receipts			\$112,072	112,072
Capital Outlay	(1,968,236)			(1,968,236)
Interest and Other Fiscal Charges	(2,717)			(2,717)
Other Non-Operating Disbursements			(113,992)	(113,992)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(434,845)</u>	<u>0</u>	<u>(1,920)</u>	<u>(436,765)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(28,739)</u>	<u>678</u>	<u>(1,920)</u>	<u>(29,981)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,010,860</u>	<u>101,103</u>	<u>6,118</u>	<u>1,118,081</u>
<i>Fund Cash Balances, December 31</i>	<u>\$982,121</u>	<u>\$101,781</u>	<u>\$4,198</u>	<u>\$1,088,100</u>

See accompanying notes to the basic financial statements

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Morrow (the Village), Warren County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, street maintenance and police services

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. Note 6 to the financial statements provide additional information for this entity. This organization is a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services.

The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair This fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining, and repairing Village streets.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund receives charges for services from residents to cover water service costs.

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Scheurer Trust Fund (Private Purpose Fund) This fund hold the principal of a non-expendable trust fund. The interest is posted to the General Fund for street lighting, the Fire Fund and the Scheurer Poor Relief Fund to aid the needy in accordance with the trust agreement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$681,469	\$880,342	\$198,873
Special Revenue	132,784	177,502	44,718
Enterprise	2,012,110	2,243,631	231,521
Trust	720	1,380	660
Total	\$2,827,083	\$3,302,855	\$475,772

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$727,532	\$825,644	(\$98,112)
Special Revenue	129,690	131,266	(1,576)
Enterprise	2,054,937	2,279,750	(224,813)
Trust	720	702	18
Total	\$2,912,879	\$3,237,362	(\$324,483)

Contrary to Ohio Rev. Code Section 5705.41(B), the Village’s General Fund and State Highway Fund had expenditures in excess of appropriations by \$98,112 and \$5,622, respectively.

Note 4 – Deposits and Investments

The Village maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2019
Demand deposits	\$1,904,699
Certificates of deposit	185,197
Total deposits	2,089,896
STAR Ohio	5,825
Total investments	5,825
Total deposits and investments	\$2,095,721

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

Other Village's certified full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contribute .5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

	Principal	Interest Rate
Cruiser Lease	\$6,460	3.89
Pik Street Building Lease	46,806	2.38
Excavator Lease	37,150	3.16
Total	\$90,416	

The Pike Street Building Loan was issued to purchase real estate to be used by the Police and Salem Township Fire Departments. The building serves as collateral. The loan was issued for \$76,000 and is due in 40 semi-annual installments of \$2,964 with a final maturity date of January 1, 2030.

The Cruiser Lease purchase agreement was issued to purchase an SUV for use by the Police. The SUV serves as collateral. The lease was for \$36,954, payable in semi-annual payments of \$6,585 with payments beginning December 2017.

The Excavator Lease contract was issued to purchase an excavator. The excavator serves as collateral. The purchase price was \$78,052 to be paid in 8 annual installments of \$10,990. The final payment is due August 2023.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Cruiser Lease	Building Loan	Excavator Lease	Total
2020	\$6,459	\$5,928	\$10,990	\$23,377
2021		5,928	10,990	\$16,918
2022		5,928	10,990	\$16,918
2023		5,928	10,990	\$16,918
2024		5,928		\$5,928
2025-2030		32,536		\$32,536
Total	\$6,459	\$62,176	\$43,960	\$112,595

Note 10 – Contingent Liabilities

The Village is currently part to litigation. However, management is of the opinion that such litigation will not have a material adverse effect on the Village’s cash financial position.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Morrow*Warren County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$40,485	\$8,650	\$49,135
Municipal Income Tax	378,806		378,806
Intergovernmental	16,802	75,648	92,450
Charges for Services	161,579	47,838	209,417
Fines, Licenses and Permits	102,353	5,080	107,433
Earnings on Investments	15,179	93	15,272
Miscellaneous	27,141		27,141
<i>Total Cash Receipts</i>	<u>742,345</u>	<u>137,309</u>	<u>879,654</u>
Cash Disbursements			
Current:			
Security of Persons and Property	199,030	200	199,230
Public Health Services	817		817
Leisure Time Activities	794		794
Community Environment	10,668		10,668
Basic Utility Services	147,377		147,377
Transportation		117,647	117,647
General Government	227,918	1,650	229,568
Debt Service:			
Principal Retirement	2,789		2,789
Interest and Fiscal Charges	3,140		3,140
<i>Total Cash Disbursements</i>	<u>592,533</u>	<u>119,497</u>	<u>712,030</u>
<i>Net Change in Fund Cash Balances</i>	<u>149,812</u>	<u>17,812</u>	<u>167,624</u>
<i>Fund Cash Balances, January 1</i>	<u>461,564</u>	<u>263,873</u>	<u>725,437</u>
Fund Cash Balances, December 31			
Restricted	0	281,685	281,685
Unassigned	611,376	0	611,376
<i>Fund Cash Balances, December 31</i>	<u><u>\$611,376</u></u>	<u><u>\$281,685</u></u>	<u><u>\$893,061</u></u>

See accompanying notes to the basic financial statements

Village of Morrow, Ohio

Warren County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type		Totals
	Enterprise	Private Purpose Trust	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$608,309			\$608,309
Earnings on Investments		\$657		657
<i>Total Operating Cash Receipts</i>	<u>608,309</u>	<u>657</u>	<u>0</u>	<u>608,966</u>
Operating Cash Disbursements				
Personal Services	63,724			63,724
Employee Fringe Benefits	22,792			22,792
Contractual Services	71,202			71,202
Supplies and Materials	60,220			60,220
Other		805		805
<i>Total Operating Cash Disbursements</i>	<u>217,938</u>	<u>805</u>	<u>0</u>	<u>218,743</u>
<i>Operating Income (Loss)</i>	<u>390,371</u>	<u>(148)</u>	<u>0</u>	<u>390,223</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental	112,360			112,360
Special Assessments	19,047			19,047
Other Non-Operating Receipts			88,117	88,117
Capital Outlay	(242,230)			(242,230)
Interest and Other Fiscal Charges	(175)			(175)
Other Non-Operating Disbursements			(88,218)	(88,218)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(110,998)</u>	<u>0</u>	<u>(101)</u>	<u>(111,099)</u>
<i>Net Change in Fund Cash Balances</i>	<u>279,373</u>	<u>(148)</u>	<u>(101)</u>	<u>279,124</u>
<i>Fund Cash Balances, January 1</i>	<u>731,487</u>	<u>101,251</u>	<u>6,219</u>	<u>838,957</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,010,860</u>	<u>\$101,103</u>	<u>\$6,118</u>	<u>\$1,118,081</u>

See accompanying notes to the basic financial statements

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Morrow (the Village), Warren County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, street maintenance and police services.

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. Note 6 to the financial statements provide additional information for this entity. This organization is a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair This fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining, and repairing Village streets.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund The water fund receives charges for services from residents to cover water service costs.

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Funds:

Scheurer Trust Fund (Private Purpose Fund) This fund hold the principal of a non-expendable trust fund. The interest is posted to the General Fund for street lighting, the Fire Fund and the Scheurer Poor Relief Fund to aid the needy in accordance with the trust agreement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$600,907	\$742,345	\$141,438
Special Revenue	75,822	137,309	61,487
Enterprise	357,880	739,716	381,836
Trust	720	657	(63)
Total	\$1,035,329	\$1,620,027	\$584,698

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$604,429	\$599,170	\$5,259
Special Revenue	143,127	120,667	22,460
Enterprise	2,052,962	479,820	1,573,142
Trust	990	805	185
Total	\$2,801,508	\$1,200,462	\$1,601,046

Contrary to Ohio Rev. Code Section 5705.39, the Village’s appropriations exceeded the amount certified as available by the budget commission in the Water Operating Fund by \$1,296,972.

Contrary to Ohio Rev. Code Section 5705.41(B), the Village’s expenditures exceeded appropriations in the Law Enforcement Education Fund by \$200 and in the Mayor’s Court Computer Fund by \$53.

Note 4 – Deposits and Investments

The Village maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	2018 \$1,820,133
Certificates of deposit	185,197
Total deposits	2,005,330
STAR Ohio	5,812
Total investments	5,812
Total deposits and investments	\$2,011,142

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

Other Village's certified full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contribute .5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

Village of Morrow
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	Principal	Interest Rate
Cruiser Lease	\$19,011	3.89
Pike Street Building Loan	50,389	2.38
Excavator Lease	48,071	3.16
Total	\$117,471	

The Pike Street Building Loan was issued to purchase real estate to be used by the Police and Salem Township Fire Departments. The building serves as collateral. The loan was issued for \$76,000 and is due in 40 semi-annual installments of \$2,964 with a final maturity date of January 1, 2030.

The Cruiser Lease purchase agreement was issued to purchase an SUV for use by the Police. The SUV serves as collateral. The lease was for \$36,954, payable in semi-annual payments of \$6,585 with payments beginning December 2017.

The Excavator Lease contract was issued to purchase an excavator. The excavator serves as collateral. The purchase price was \$78,052 to be paid in 8 annual installments of \$10,990. The final payment is due August 2023.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending	Cruiser Lease	Building Loan	Excavator Lease	Total
December 31:				
2019	13,170	5,928	10,990	30,088
2020	6,459	5,928	10,990	23,377
2021		5,928	10,990	16,918
2022		5,928	10,990	16,918
2023		5,928	10,990	16,918
2024-2028		29,640		29,640
2029-2030		8,824		8,824
Total	\$19,629	\$68,104	\$54,950	\$142,683

Note 10 – Contingent Liabilities

The Village is currently party to litigation. However, management is of the opinion that such litigation will not have a material adverse effect on the Village's cash financial position.

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OHIO AUDITOR OF STATE KEITH FABER



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Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Morrow
Warren County
150 East Pike Street
Morrow, Ohio 45152

To the Mayor and Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Morrow, Warren County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and how the continuing emergency measures may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-003 and 2019-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2019-001 and 2019-002.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 18, 2020

**VILLAGE OF MORROW
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2018, the Village's appropriations exceeded the amount certified as available by the budget commission in the Water Operating Fund by \$1,296,972.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Council to reduce the appropriations.

Officials' Response:

The Village is implementing a procedure to compare appropriations to estimated resources for each individual fund on a monthly basis. This procedure will be carried out by the Village Fiscal Officer and signed off on by the Village Administrator. If changes are made, an amended certificate of estimated resources will be submitted to the county budget commission for certification. Twice per year, the Village submits an amended certificate of estimated resources to the County budget commission for certification.

FINDING NUMBER 2019-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village's Law Enforcement Education Fund and Mayor's Court Computer Fund had expenditures in excess of appropriations of \$200 and \$53, respectively, as of December 31, 2018. The Village's General Fund and State Highway Fund had expenditures in excess of appropriations of \$98,112 and \$5,622, respectively, as of December 31, 2019.

**FINDING NUMBER 2019-002
(Continued)**

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

We recognize that failure to have adequate appropriations in place at the time expenditures are made could potentially cause expenditures to exceed available resources, resulting in deficit spending. The Village is implementing a procedure to compare appropriations to estimated resources for each individual fund on a monthly basis. This procedure will be carried out by the Village Fiscal Officer and signed off on by the Village Administrator. If changes are made, an amended certificate of estimated resources will be submitted to the county budget commission for certification. Twice per year, on a timeline specified by the County, the Village submits an amended certificate of estimated resources to the County budget commission for certification. Village Council has approved appropriations modifications in the past, but increased vigilance will be utilized to make sure Council is aware of each transfer between funds. In the future, the Fiscal Officer will deny payment requests when appropriations are inadequate to cover expenditures.

FINDING NUMBER 2019-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following conditions related to the Village's financial statements at December 31, 2019:

- The Village improperly classified General Fund balances related to encumbrances, resulting in an understatement of assigned fund balance and an overstatement of unassigned fund balance in the amount of \$12,416.
- The Village improperly classified debt activity, resulting in an understatement of Principal disbursements in the amount of \$13,346, an understatement of General Government disbursements in the amount of \$935, an overstatement of Interest disbursements in the amount of \$176, an overstatement of Security of Persons and Property disbursements in the amount of \$13,170, and an overstatement of fund balance in the amount of \$935, in the General Fund.
- The Village improperly classified debt activity, resulting in an understatement of Principal disbursements in the amount of \$10,921, an overstatement of Capital Outlay disbursements in the amount of \$10,921, an overstatement of Contractual Services disbursements in the amount of \$935, and an understatement of fund balance in the amount of \$935, in the Enterprise Fund.

**FINDING NUMBER 2019-003
(Continued)**

- The Village improperly classified water tap-in fees resulting in an overstatement of Miscellaneous Revenue and an understatement of Charges for Services in the amount of \$70,000, in the Special Revenue Fund. Of the \$70,000 misclassification, this resulted in an overstatement of fund balance in the Recreation-Parks fund and an understatement of fund balance in The Woodlands At Morrow fund, in the amount of \$33,000.
- The Village improperly classified water tap-in fees resulting in an overstatement of Special Assessments and an understatement of Charges for Services in the amount of \$16,770, in the Enterprise Fund.
- The Village failed to post Mayor's Court activity, resulting in an understatement of Beginning Fund Balance in the amount of \$6,118, an understatement of Other Non-Operating Receipts in the amount of \$112,072, an understatement of Other Non-Operating Disbursements in the amount of \$113,992, and an understatement of Ending Fund Balance in the amount of \$4,198, in the Agency Fund.

We identified the following conditions related to the Village's financial statements at December 31, 2018:

- The Village failed to post audit adjustments from the FY 2016-2017 audit, resulting in an overstatement of fund balance in the Enterprise Fund and an understatement of fund balance in the Special Revenue Fund, in the amount of \$4,096.
- The Village improperly classified General Fund balances related to encumbrances, resulting in an understatement of assigned fund balance and an overstatement of unassigned fund balance in the amount of \$6,637.
- The Village improperly classified debt activity, resulting in an understatement of Principal disbursements in the amount of \$14,181, an understatement of Interest disbursements in the amount of \$484, an overstatement of General Government disbursements in the amount of \$1,495, and an overstatement of Security of Persons and Property disbursements in the amount of \$13,170, in the General Fund.
- The Village improperly classified debt activity, resulting in an understatement of Principal disbursements and an overstatement of Capital Outlay disbursements in the amount of \$10,921, in the Enterprise Fund.
- The Village improperly classified water tap-in fees resulting in an overstatement of Miscellaneous Revenue and an understatement of Charges for Services in the amount of \$47,838, in the Special Revenue Fund.
- The Village improperly classified water tap-in fees resulting in an overstatement of Special Assessments and an understatement of Charges for Services in the amount of \$19,047, in the Enterprise Fund.
- The Village failed to post Mayor's Court activity, resulting in an understatement of Beginning Fund Balance in the amount of \$6,219, an understatement of Other Non-Operating Receipts in the amount of \$88,218, an understatement of Other Non-Operating Disbursements in the amount of \$88,218, and an understatement of Ending Fund Balance in the amount of \$6,118, in the Agency Fund.

The financial statements and accounting records have been adjusted for these errors, where applicable.

FINDING NUMBER 2019-003
(Continued)

The Village did not have procedures in place for effective monitoring of financial activity and the accuracy of accounting and financial reporting. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and preparation of the financial statements to prevent errors and to assist in properly reflecting the Village's activity. In addition, Council should adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

Officials' Response:

These specific corrections have been made to the financial statements of the Village. More importantly, the recommended classification principles have been noted and will be incorporated into future financial statement preparation. The Village certainly recognizes that failure to accurately post financial activity and monitor financial activity increase the risk that errors, theft and fraud could occur and not be detected in a timely manner.

The Village is implementing a procedure to compare appropriations to estimated resources for each individual fund on a monthly basis. This procedure will be carried out by the Village Fiscal Officer and signed off on by the Village Administrator. If changes are made, an amended certificate of estimated resources will be submitted to the county budget commission for certification. Twice per year, the Village submits an amended certificate of estimated resources to the County budget commission for certification. The status of individual fund balances will be part of the report to Village Council on a monthly basis.

FINDING NUMBER 2019-004

Material Weakness

The Village was approved for several Ohio Public Works Commission (OPWC) construction projects related to the wastewater treatment plant upgrades. During fiscal year 2019 and 2018, the OPWC paid the construction costs directly to the contractor as an on-behalf payment for the Village. The Village received \$1,519,338 and \$112,360 in 2019 and 2018, respectively, in on-behalf payments from OPWC but did not report the on-behalf payments on their financial statements as both receipts and disbursements in the Enterprise Fund. Failure to report the on-behalf portion of the project paid resulted in the Village understating receipts as well as the amount of construction costs they incurred. The Village did not record and budget for this money in the accounting system.

Ohio Rev. Code § 5705.42 does not require formal appropriation by the legislative body for Federal and State grants and loans received. However, Ohio Rev. Code § 5705.42 directs the Village to record the appropriation amount in the accounting system and the budgetary statements or footnotes. The Village should also include the appropriated amounts on the (amended) certificate of estimated resources to properly monitor budget versus actual activity. The Village did not record the appropriation amount for the on-behalf payments in the accounting system or in the footnotes.

The Village corrected the financial statements and related note disclosure.

We recommend that future on-behalf projects the Village enters into be included as receipts and disbursements for financial statement presentations. Auditor of State Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf payments for capital improvement projects.

**FINDING NUMBER 2019-004
(Continued)**

Officials' Response:

The Village corrected the financial statement and related note disclosure. Future on-behalf projects the Village enters into will be included as receipts and disbursements for financial statement presentations.

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VILLAGE OF MORROW
150 EAST PIKE STREET, MORROW, OH 45152

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	The Village reported various errors within their financial statements.	Not Corrected	Reissued as Finding 2019-003
2017-002	Ohio Rev. Code § 5705.41(D), failure to properly certify the availability of funds.	Fully Corrected	
2017-003	The Village did not properly incorporate budgetary information to the accounting system.	Partially Corrected – Reissued as Management Letter Comment	
2017-004	Ohio Rev. Code § 5705.39, appropriations in excess of estimated resources.	Not Corrected	Reissued as Finding 2019-001
2017-005	Ohio Rev. Code § 5705.41(B), expenditures in excess of appropriations.	Not Corrected	Reissued as Finding 2019-002
2017-006	Ohio Rev. Code § 5705.38(A), timely appropriation measure.	Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MORROW

WARREN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/15/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov